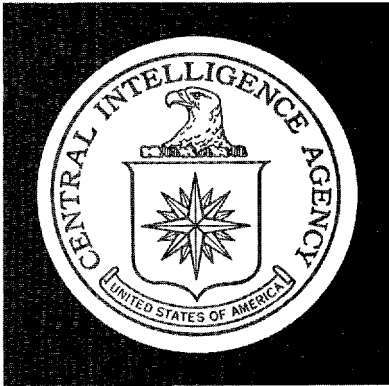


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State Dept., NAVY reviews completed

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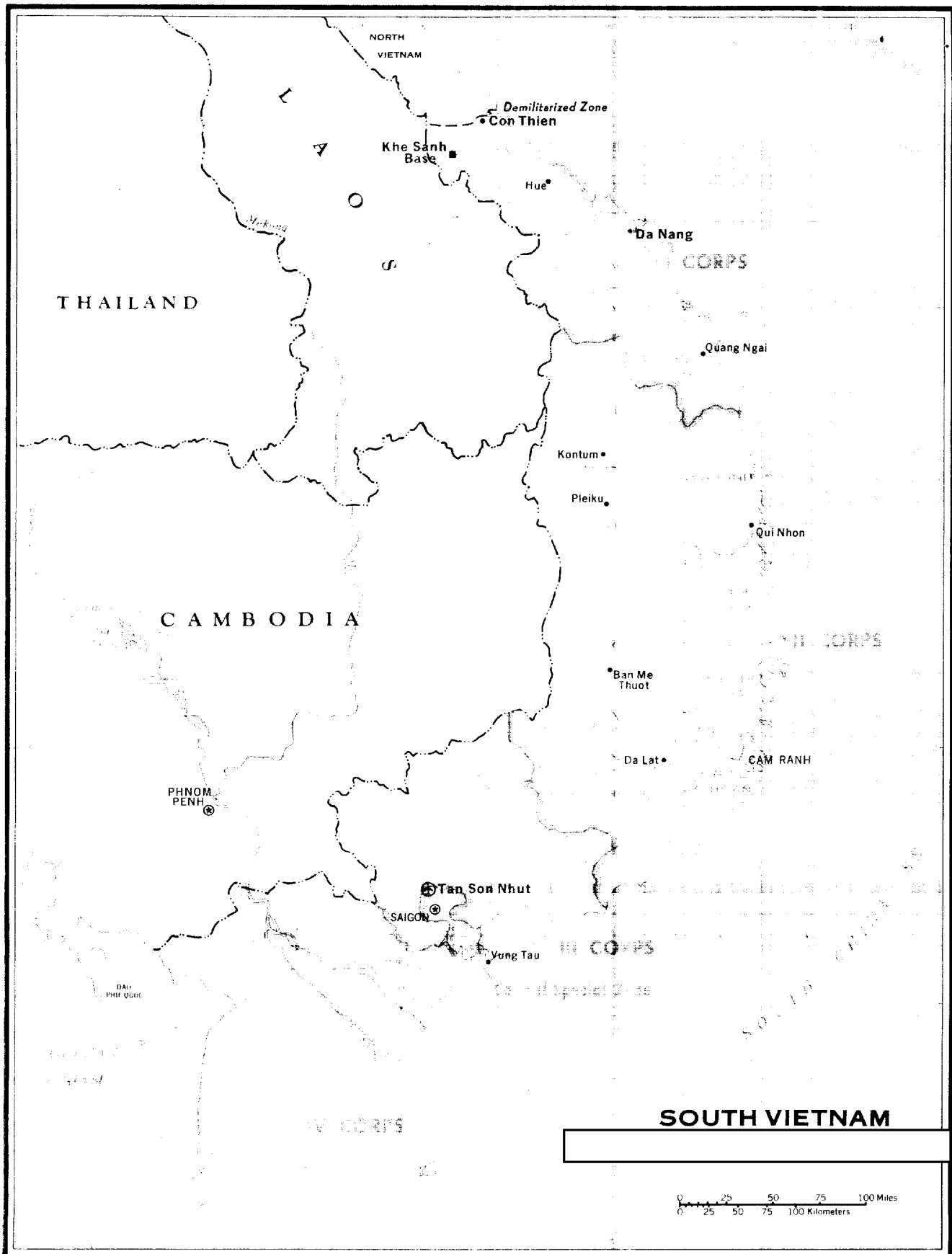
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[South Vietnam: Military activity was light over the past few days.

Allied positions at Khe Sanh, Con Thien, and other points along the Demilitarized Zone received a total of approximately 78 rounds of enemy fire on 19-20 June. During the night of 20 June the Communists again hit Tan Son Nhut airbase with a light rocket attack. Numerous reports have been received of impending enemy action aimed at Saigon and nearby military targets.

There is also evidence that Communist forces in the Da Nang area are preparing for offensive activity. [REDACTED]

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the Viet Cong ordered the villages surrounding Da Nang to provide 150 men each. Guerrillas and youth assault groups were to be included and prepared for action by 20 June. Their mission purportedly is to assist Communist main force combat units in attacks against allied installations within and around Da Nang.

* * * *

[On 16 June a self-styled spokesman for the Communist-sponsored Vietnamese Alliance of National, Democratic and Peace Forces reportedly offered the first firm statement that the Communists see the alliance as a legitimate political party in postwar South Vietnam. [REDACTED]

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[REDACTED] Le Si Quy, who has emerged as a quasi-official representative of the alliance, told a group of intellectuals in Saigon that after a settlement has been reached, the alliance would absorb selected Liberation Front members and establish a political party to compete openly with other parties. The Communists clearly see the alliance as a possible way for getting around allied opposition to formal recognition of the Liberation Front or to the inclusion of known front members in any future government in South Vietnam. 7 [REDACTED]

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Communist China: [A renewal of Red Guard violence and criticism of military leaders is being reported from some Chinese provinces.]

[These developments may stem from a series of important meetings reportedly held in Peking during May.]

[redacted] provincial political and military representatives in attendance wanted an early termination of the Cultural Revolution while members of the radical Cultural Revolution Group insisted that the movement go on at least another year. Since May, Peking propaganda has been demanding an intensification of "revolutionary" activity and purges.]

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[Since mid-May military leaders in at least three provinces have been denounced by Red Guard factions. They include the chairman of the Kweichow revolutionary committee, the acting chairman in Kwangtung, and the commander and commissar of the Foochow Military Region. None of the attacks seems particularly serious as yet.]

[Violent fighting apparently has been renewed in Wuhan, a relatively quiet area since the "Wuhan Incident" last summer.]

[redacted] the two major factions possess modern weapons and are clashing violently. A number of innocent citizens allegedly have been killed and residents have begun to flee the city.]

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[In addition, mounting evidence indicates that Red Guard violence in Kwangsi and Hunan has been responsible for the virtual suspension of civilian passenger and freight traffic along the main rail line to North Vietnam since early June.]

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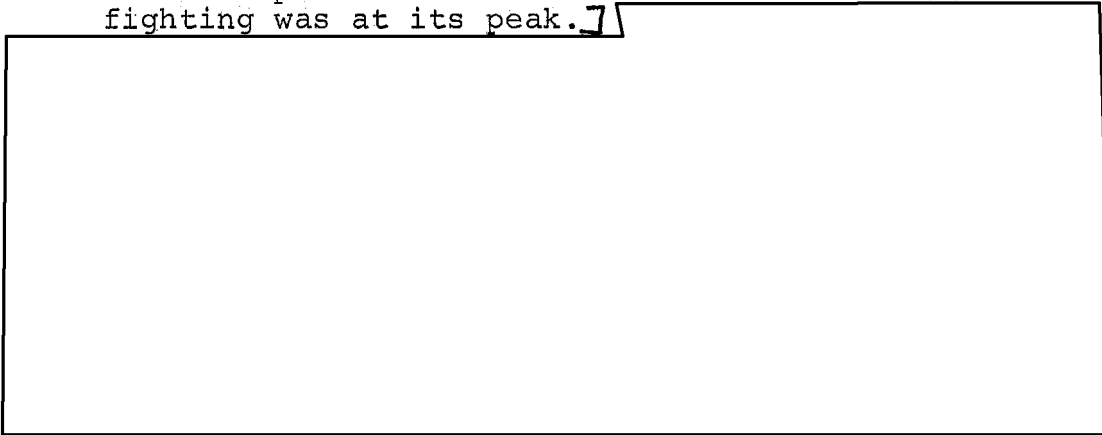
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[redacted] violent street fighting and burning in nearly every major city in the province, including the three main ones along the rail line. The level of disorder in Kwangsi seems to be comparable to that reached last summer, when fighting was at its peak.]

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Thailand: The new constitution will almost certainly usher in a period of heightened political activity, but it is not likely to result in major changes soon in the government.

Nine years in the writing, the constitution promulgated by King Phumiphon on 20 June is an expression of the ruling military oligarchy's desire to accommodate pressure for political change while maintaining itself in power. The constitution provides for an independent executive, chosen by the King with what will undoubtedly prove to be the close supervision of the present leaders, and a bicameral legislature, with carefully circumscribed powers. The upper house, which will have a de facto veto over legislation, will be chosen by the King.

The constitution provides for lower house elections within eight months. The government has recently announced the formation of a yet to be named political party with Prime Minister Thanom at its head. Although progress in organizing a government party has been slow, the fragmented nature of the opposition and the considerable power at the disposal of the government should permit it to control the lower house with little difficulty.

The constitution has already been criticized in some civilian circles as not liberal enough. Some extremist elements, however, may try to use the constitution to force the government to amend laws curtailing speech, assembly, the press, and the right to form political parties. The military establishment has made it clear that it intends to monitor carefully the liberalizing process. Deputy Prime Minister Praphat, long a foe of political change, has stated in public that martial law will remain in effect despite promulgation.

Even if the government succeeds in keeping opposition elements under wraps, the resumption

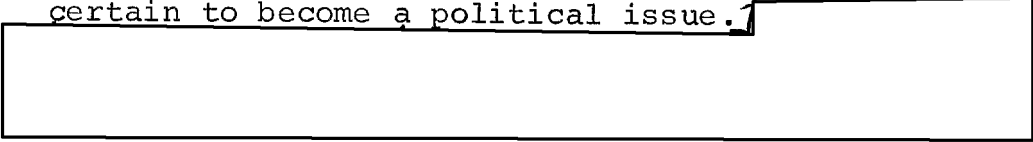
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of open political activity will raise a number of domestic problems embarrassing to the leadership. Bangkok's relations with the US and the large number of US military personnel in Thailand are almost certain to become a political issue.



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[West Germany - East Germany: Bonn wishes to avoid an escalation of tensions over Berlin but may still respond to the East German moves.

The federal government's apparent stand against serious retaliation in the East-West German trade field is being interpreted as a victory for those leaders, mainly the Social Democrats, who have argued against a confrontation with East Germany. The government, however, continues to recognize the pressure from West Berlin, and to a lesser extent from West Germany, to take some action. The government is continuing work on such proposals as restrictions on East German travel to West Germany, license fees on East German trucks entering West Germany, and the delaying of East German ships in Western ports. Bonn has suspended consideration of oil subsidy and postal payments desired by East Germany as well as any further increase in trade credits.

The West German Transport Ministry is viewing favorably an air shuttle service on the Hanover - West Berlin run. Such a move might lessen the Berliners' sense of isolation and thereby boost their morale.

Addressing the Bundestag yesterday, Chancellor Kiesinger rejected East German claims to be recognized as a sovereign state and called on the Soviet Union to live up to its obligations on Berlin access. He reaffirmed Bonn's faith in US support for a free West Berlin and said Bonn's policy of cooperation with East Europe would continue. He also voiced confidence that the Bundestag would approve additional aid for West Berlin before its summer recess.

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[The NATO council recommended yesterday that East German applications for travel to NATO countries be "carefully scrutinized" and also announced a tax on travel documents issued to East German travelers.

In the meantime, the East Germans continued to add to the growing red tape for interzonal travelers.



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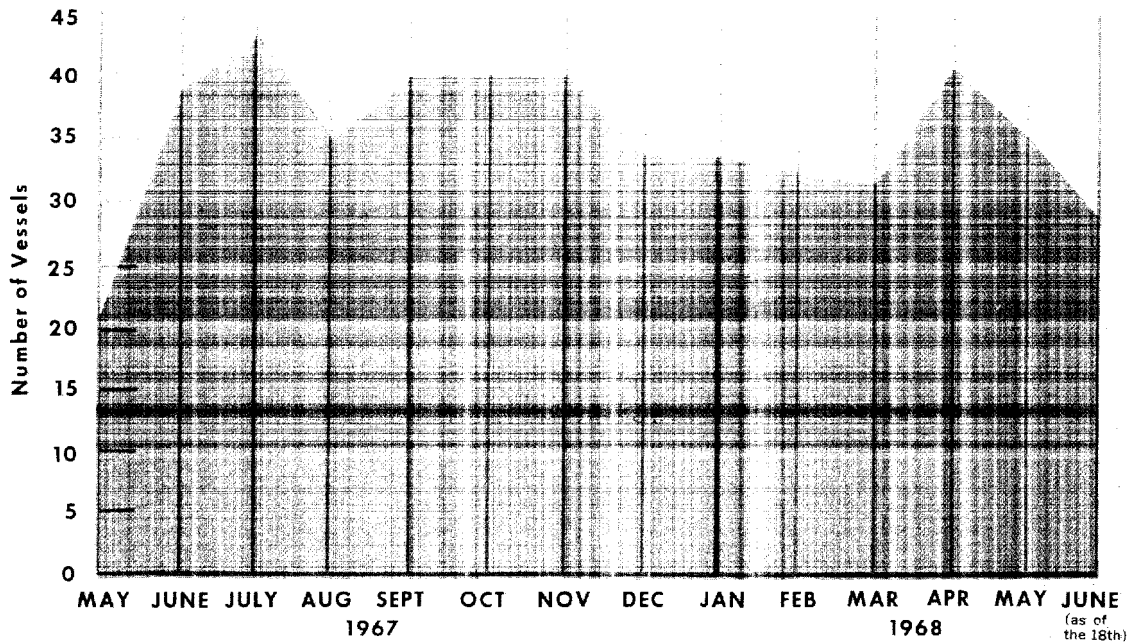
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Strength of the Soviet Mediterranean Squadron during the past year*



	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Nuclear Subs	0	2	3	2	1	2	2	2	2	3	2	1	0
Diesel Subs	4	6	8	6	8	10	12	7	10	6	6	8	8
Missile-Equipped Surface Combatants	1	6	5	4	4	2	2	4	3	4	4	6	4
Non-Missile Surface Combatants	10	11	9	8	9	10	8	7	4	5	7	11	9
Amphibious Vessels	0	2	4	3	3	3	3	3	3	2	1	2	1
Intelligence Vessels	2	3	4	3	5	4	4	3	2	3	2	3	3
Other **	5	9	10	9	10	9	9	8	10	10	10	10	10
TOTAL	22	39	43	35	40	40	40	34	34	33	32	41***	35

* Monthly figures include ships which probably operated more than 10 days in Mediterranean

** Includes merchant ships supporting naval units

*** During this turnover period the number of combatants reached an all-time high.

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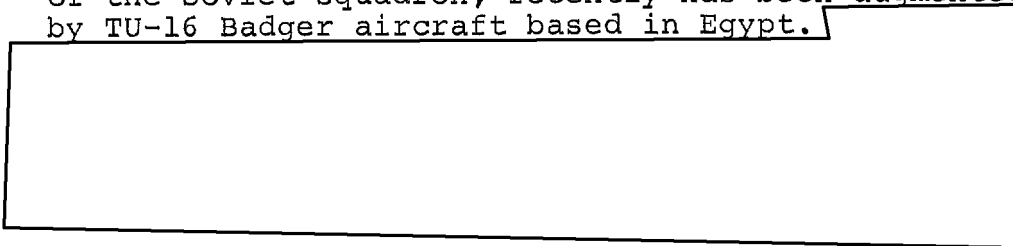
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USSR: The Soviets are at least temporarily reducing the size and activity of their Mediterranean squadron.

The USSR's force now consists of fewer than 30 ships, a slight reduction from the 30-35 units there during the past several months. Although the number of combat ships has been reduced, the force still includes nine submarines and two missile-equipped ships. Present ship movements do not appear to foreshadow a major withdrawal from the Mediterranean.

The reduction in size probably will relieve the strain on the Black Sea fleet. Ships from that fleet have been pressed into frequent and prolonged operations out of home waters without ship repair, training, and home leaves for crews.

Soviet naval activity in the Mediterranean currently is at a low level, with most of the ships in port or at anchor. Surveillance of US naval forces in the Mediterranean, one of the missions of the Soviet squadron, recently has been augmented by TU-16 Badger aircraft based in Egypt.

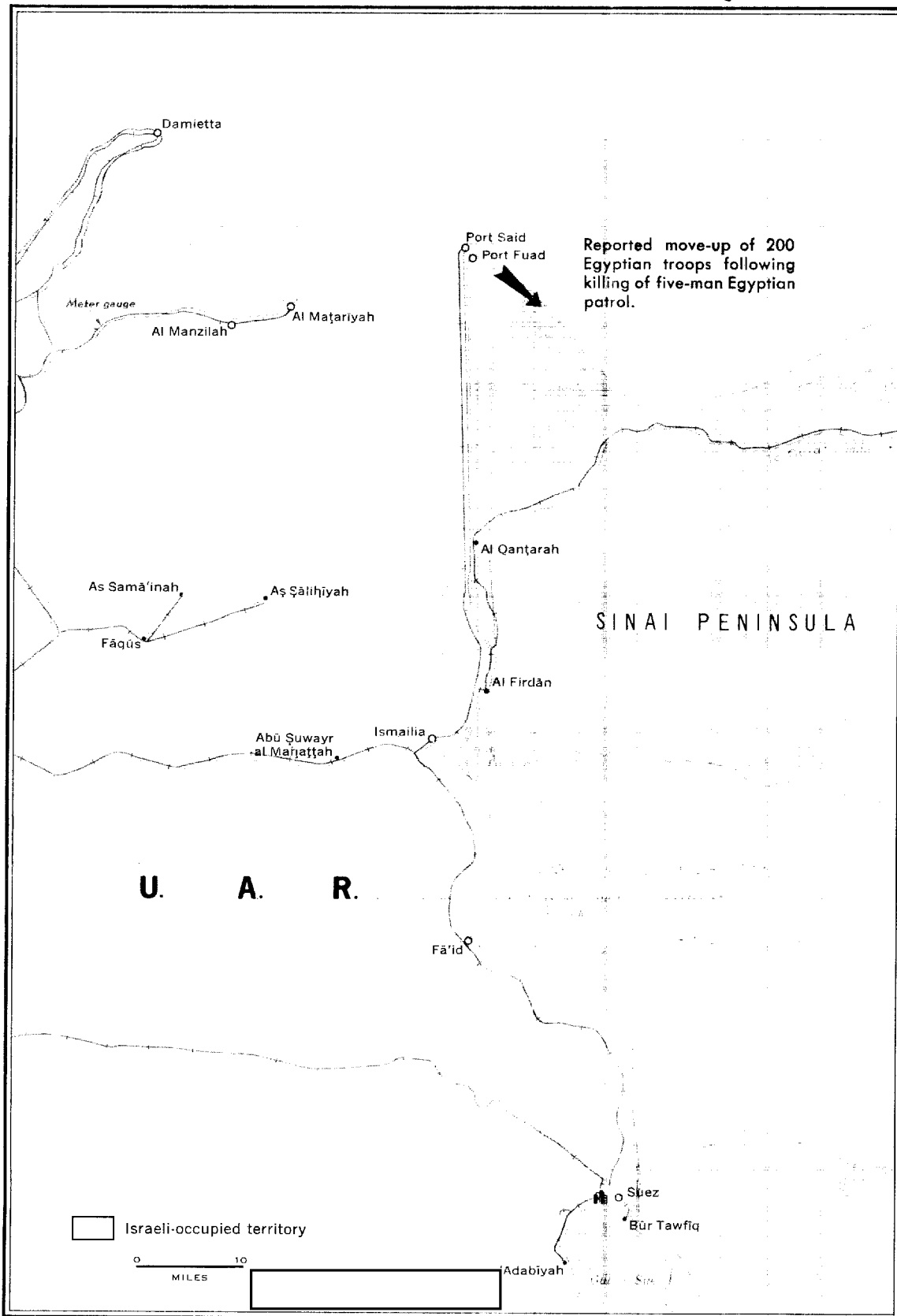


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UAR-ISRAEL: Potential for Serious Military Clashes Increasing



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Israel - Arab States: The potential for serious military clashes between Arab and Israeli forces is increasing.

Following the killing of a five-man Egyptian patrol in the Sinai on 18 June, Egypt moved about 200 infantrymen into the disputed area southeast of Egyptian-controlled Port Fuad. Israel, claiming that these troops are now in an "Israeli-controlled area," has moved up reinforcements. The Israelis have threatened to "take action" if the Egyptians do not pull back, and if a clash occurs it is likely to spread along the Suez Canal.

There is likely to be more trouble along the northern end of the Jordanian-Israeli cease-fire line. Israeli Ambassador Rabin claims that Jordanian forces recently bombarded Israeli settlements with mortar and artillery fire. Rabin stated that if these tactics continue the Israelis will feel forced to respond by artillery attacks on populated areas in Jordan. The clashes in this area until recently were restricted primarily to small-arms fire between military units.

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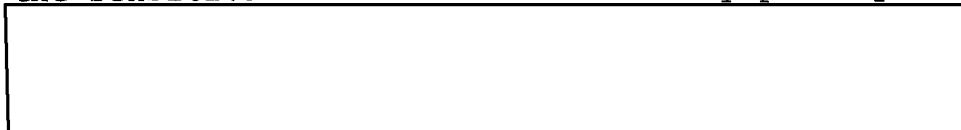
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Czechoslovakia: The Dubcek regime may allow the formation of new political parties provided they operate within the confines of the National Front.

The Front is a grouping of four minor political parties and other "interest groups" which is dominated by the Communist Party. A legal expert informed a committee of the National Assembly on 18 June that an earlier statement by the Interior Ministry that no new parties could be formed was "not entirely correct." Interior Minister Pavel himself stated on the same day that the establishment of new "organizations" is the "autonomous right" of citizens. He said some 70 new organizations have already requested regime sanction. Thus far, he added, only one has been approved "under existing laws."

Last week the Communist Party concluded an agreement with other members of the National Front which will enable the non-Communist parties to participate in formulating and implementing state policy.

Moscow has not yet taken public notice of either of these two related steps which touch on the sensitive issue of Communist Party primacy.



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NATO: [Paris appears certain to thwart hopes for unanimity at the NATO ministerial meeting in Reykjavik on 24-25 June.]

[The French have made clear in preliminary meetings that they oppose at least two important items up for consideration, a resolution on East-West mutual force reductions, and efforts to improve alliance security in the Mediterranean. The French permanent representative has made it known that he will be unable to go along with any measure implying binding action or any irreconcilable with De Gaulle's views.]

[To get around the French, the other ministers may be compelled to sit as the defense planning committee, the chief military policy-making arm of the alliance on which France is not represented, in order to make decisions.]

[Other topics to be discussed at Reykjavik include Vietnam, the nonproliferation treaty, and Berlin access. The Vietnam session will be largely devoted to ideas on how Europeans could assist the development of Southeast Asia when the conflict is over.]

[Antiregime Greeks and Scandinavian opponents of NATO have plans to disrupt the meeting. The Icelandic police and NATO security personnel, however, expect to be able to keep the situation under control.]



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Belgium: Prime Minister Eyskens' newly formed Social Christian - Socialist government does not appear capable of solving the country's basic linguistic problems.

Important elements of coalition parties are either lukewarm to or openly dissatisfied with the government program. The coalition, although on paper having a workable majority, will face a continuing threat of defection. The government must command two-thirds support in parliament to pass constitutional reforms.

Public skepticism and apathy have increased since the cabinet was announced on 17 June. In an effort to obtain a broad base of support, coalition leaders appointed at least one minister from each province. The 28-man cabinet, the largest in Belgian history, is evenly divided among French-speaking Walloons and Dutch-speaking Flemings. The quest to find moderates from both camps on the linguistic issue, however, has led to the inclusion of some political unknowns and several whose records are undistinguished.

The new government probably will not take any new initiatives on defense and foreign policy questions. The foreign affairs portfolio remains in the hands of the experienced Pierre Harmel, while the choice of Paul Segers as defense minister is, in the words of the US Embassy, probably the best that could be expected.

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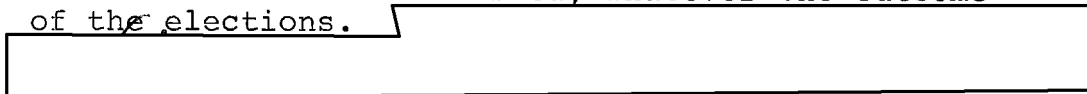
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USSR-France: Moscow has moved closer to direct condemnation of De Gaulle on the eve of France's first-round elections this weekend. Although De Gaulle still was not attacked by name, yesterday's Pravda berated his regime for spreading anti-Communist myths and characterized his "new course" politics as a trap for the working class similar to those set by Mussolini, fascists in general, and such French right-wingers as Marshal Petain and Admiral Darlan. The Soviets' hardening line on De Gaulle helps them to keep pace with French Communist Party positions. It suggests that Moscow has concluded that De Gaulle's value to them has diminished, whatever the outcome of the elections.



Greece: Premier Papadopoulos has carried out the most extensive cabinet reshuffle since the military took power in April 1967. The "revolution" remains in the same hands, however, as the changes involved only second-level ministries. The US Embassy believes that on balance the new ministers in the cabinet will be an improvement over the old. There were no new appointments of junta officers to the cabinet. This perhaps reflects Papadopoulos' confidence in his ability to ignore pressures from the more extreme junta members, some of whom reportedly want cabinet seats for themselves.



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New Zealand: [On 19 June the Holyoake government imposed a 60-day price freeze on most consumer goods, the broadest effort at price control since World War II. This step was taken in an attempt to mollify labor elements disgruntled with a recent court decision rejecting a general wage increase. The US Embassy in Wellington comments that, although this action may lessen resentment temporarily, continued labor unrest is likely. Unless significant economic improvements are achieved over the coming year, the pro - US government's prospects in elections scheduled for November 1969 will continue to decline.]



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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 20 June 1968 approved the following national intelligence estimate:

NIE 56-68 "Prospects for the Philippines"

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